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California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

RE: Docket Number 06-IEP-1M
Scenario Analyses of California's Electricity System

Dear Commissioners:

SDG&E appreciates the opportunity to provide comments on the CEC's Scenario Assessment of the California Electric System.

SDG&E has been closely following the CEC's Scenario Assessment of the California Electric System since the project was initiated as part of the CEC's 2007 IEPR process. SDG&E has attended and participated in the workshops and reviewed the Staff reports. SDG&E applauds the CEC for launching such an ambitious analysis and strongly supports further efforts by the CEC to continue performing these types of in-depth analyses. SDG&E believes the CEC's analysis of the impact that policy choices can make on the State's resource mix (and associated costs) will provide policymakers with valuable information and insights. In that regard, SDG&E believes the CEC's efforts would be best served by focusing on studies that examine the overall direction of the State and its energy policies.

Early on, all parties appeared to recognize that the scenario assessment would represent a major undertaking with a high degree of uncertainty as to whether a full and complete analysis could be completed in time for the Commission's 2007 IEPR report. The project team should be commended for the sheer amount of work completed as well as the insights that have been developed from that work to-date. This effort, however, should not end there as the work that has been completed can further serve as the foundation for future analyses.

SDG&E would also like to commend the Staff on the level of caution raised and incorporated in its report. Knowing that conclusions can be influenced by input assumptions, Staff correctly noted throughout the report that simple conclusions should not be made based on a static view of the analyses performed at that point in time and that additional testing of the inputs (and reevaluation of the results) is warranted. While SDG&E fully agrees with such an approach, SDG&E remains concerned that the cautionary notes prudently included in the Staff report may be left out when incorporating the analysis results in the IEPR. In that event, the State's policy makers could form premature and incomplete conclusions when only the results are presented in subsequent Commission reports.

What can be appropriately gleaned at this time are the general trends indicated and supported by the analysis in the report. As an example, SDG&E is comfortable with the general magnitude of the greenhouse gas reductions associated with the increased levels of energy efficiency and renewable power. The study results show the electric sector above the 1990 baseline--even in the most aggressive case. This is an important finding and highlights the fact that the CAT study (which was not based on as rigorous an analysis) implied that much greater greenhouse gas reductions were possible in the electric sector from EE and renewable resources.

SDG&E's concerns with the Staff report are similar to those expressed by various other parties at the most recent workshop and include the following:

- The scenarios need to be further analyzed for operational concerns. This issue has been raised by many interested parties, including the ISO. These scenarios propose a resource mix for the grid that rely on more must-take and intermittent resources than the California grid has ever had. Although efforts were made to attempt to levelize reserve margins using the CPUC adopted rules for Resource Adequacy, many are concerned that this proposed mix will not result in the same level of reliability to customers, particularly in scenarios with large quantities of renewable resources.
- Renewable Costs need to be defined and explored. As more and more renewable resources are added to the scenario, the cost of renewable resources will likely continue to increase. The study assumed flat prices regardless of demand. This assumption seems contrary to what SDG&E has seen in our efforts to achieve the 20% renewable mandate.

Transmission issues: Although the study attempted to capture major transmission improvements necessary to deliver renewable power to major load pockets, transmission needs within load pockets were not addressed. SDG&E agrees that this is a level of detail not included in the original scope of the report, but one that warrants examination. As an example, Case(s) 4A included the addition of 11,000 MW of dependable capacity of renewable power. Thus, this case relies on substantially more generation coming in from other areas giving rise to the need for transmission within the load centers and not just between the load centers as was modeled. Additionally, for load pockets like SDG&E's service area, cases assuming high amounts of renewable power may not eliminate the need for in-basin peaking units unless an additional new major transmission line is added to the service area beyond the one assumed in the analysis. SDG&E is uncertain whether this was considered in the analysis.

Yours sincerely,

Bernie Orozco